Annual Report
2001/2002

LEAF RAPIDS TOWN PROPERTIES LTD.

105-02331/

MINISTER OF
INTERGOVERNMENTAL AFFAIRS

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8
General Office: (204) 945-3788
Fax: (204) 945-1383

The Honourable Peter M. Liba, C.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege to present for your information the Annual Report of Leaf Rapids Town Properties Ltd. for the fiscal year ended March 31, 2002.

Yours sincerely,

Rosann Wowchuck

Rosann Wowchuck
Minister

LEAF RAPIDS MANITOBA R0B 1W0 • TELEPHONE 473-8230

Leaf Rapids Town Properties Ltd.

Honourable Rosann Wowchuck
Minister of Intergovernmental Affairs
301 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I am pleased to present to you the Annual Report for Leaf Rapids Town Properties Ltd. for the fiscal year ending March 31, 2002.

Audited Financial Statements, submitted as required by the Provincial Auditor, are appended to the Report.

Yours sincerely,

Marie Elliott
Chairperson

Leaf Rapids Town Properties Ltd.
Box 10, Leaf Rapids MB R0B 1W0
Phone 204-473-8230 Fax 204-473-8202

Board:

Marie Elliott (Chairperson)
Deputy Minister
Intergovernmental Affairs

Geoff Bawden
Assistant Deputy Minister
Transportation and Government Services

Don Delisle
Assistant Deputy Minister
Finance

Dr. Christine Kaszycki
Assistant Deputy Minister
Industry, Trade and Mines

Christine M. Burton
Secretary to the Board
Acting Assistant Deputy Minister
Intergovernmental Affairs

Carol Oppermann
Ex-officio member of the Board
Chief Administrative Officer
Town of Leaf Rapids

Harvey Bostrom
Advisor to the Board
Deputy Minister
Aboriginal
And Northern Affairs

Jeff Gordon (Alternate)
Advisor to the Board
Director
Aboriginal
And Northern Affairs

Management:

Christine M. Burton
General Manager
Phone: 204-945-0909
Email: chburton@gov.mb.ca

John Kokorsch
Property Manager
Phone: 204 945-4816
Email: Jkokorsch@gov.mb.ca

ANNUAL REPORT

LEAF RAPIDS TOWN PROPERTIES LTD.

Leaf Rapids Town Properties Ltd. (LRTP) is a Crown Corporation located in the Town of Leaf Rapids in the Province of Manitoba. The Leaf Rapids Development Corporation Ltd. (now known as Leaf Rapids Town Properties Ltd.) was formed under Part II of the *Development Act of Manitoba*, in July 1971.

LRTP's mandate outlines its engagement in:

- fostering the economic development of the local area;
- encouraging the growth of local business;
- raising money for the purpose of economic development of Leaf Rapids' area;
- financing and/or assisting in the financing of enterprises to operate in the area; and
- acting as project manager for the local development projects.

The Management of LRTP reports to its own Board of Directors, which is appointed by the Province. The Chairperson is the Deputy Minister of Intergovernmental Affairs (IAF). The General Manager of LRTP, who is also the Secretary of the Board, is an Assistant Deputy Minister in IAF. The remaining Board Members are public servants representing the Departments of Finance, Department of Transportation and Government Services, Industry, Trade and Mines, and Aboriginal and Northern Affairs and the Town Administrator, who represents the Town of Leaf Rapids as an ex-Officio member of the Board.

All administration and accounting functions are managed by the Department of Intergovernmental Affairs with assistance from the Department of Transportation and Government Services. A Property Manager reports to the General Manager on matters relating to the operations of the Town Centre and all other LRTP properties.

On October 29, 2001, Hudson Bay Mining and Smelting (HBMS) announced the closure of the Ruttan operation in Leaf Rapids, directly affecting the lives of the citizens of Leaf Rapids, many of whom were employed in the Mine. The community is trying to establish a new economic base, even though many people have left the town. The Provincial Government is assisting in this process, and LRTP is contributing to the Provincial Government's efforts.

Leaf Rapids Town Properties continues to operate the Town Centre, which includes the Health Centre, Frontier School, The Town Offices, the Whitewater Inn, and numerous LRTP's commercial tenants. LRTP's commercial building northeast of the Town Centre is home to the Ambulance, MHRC maintenance shop and the Department of Highways. LRTP also owns and operates a trailer

court commonly known as Sawannee Way. All the LRTP properties are being operated with little or no interruption of services.

Since the closure of the mine, extraordinary measures have been taken to help eliminate the strain on commercial tenants by lowering rents wherever possible. In the trailer court, monthly rents were forgiven by LRTP; tenants remain responsible for their property taxes.

LRTP is supporting the community in its efforts to develop opportunities for economic development in Leaf Rapids. LRTP continues to support all its tenants and assist the Town of Leaf Rapids wherever possible in moving successfully through this current transition.

LEAF RAPIDS TOWN PROPERTIES LTD.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available. Effective April 1, 1998, the Corporation adopted the accrual method of accounting for interest expense on income debentures. The change has been done on a retroactive basis.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Corporation are safeguarded.

The Board of Directors is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

Chairman and Chief Executive Officer

General Manager

April 10, 2003
Date

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2002 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 19, 2002

Financial Statements of

LEAF RAPIDS TOWN PROPERTIES LTD.

Year ended March 31, 2002

LEAF RAPIDS TOWN PROPERTIES LTD.

Balance Sheet

March 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash and short-term deposits	$ 1,453,782	$ 1,441,336
Accounts receivable	59,211	70,088
GST recoverable	-	1,099
Prepaid expenses	6,069	27,850
Current portion of note receivable (note 2)	11,944	13,500
	1,531,006	1,553,873
Developed lots held for resale (note 1(c))	1	1
Note receivable from Leaf Rapids Community Development Corporation (note 2)	1	60,781
Capital assets (note 3)	1	338,074
	$ 1,531,009	$ 1,952,729
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 151,618	$ 130,606
Deferred revenue	23,972	35,375
GST payable	4,738	-
Current portion of obligation under capital lease (note 4)	5,411	4,700
	185,739	170,681
Long-term debt (note 6)	1,498,577	1,498,577
Obligation under capital lease (note 4)	-	5,437
	1,684,316	1,674,695
Shareholders' deficiency:		
Capital stock (note 5)	2,621,100	2,621,100
Deficit	(2,774,407)	(2,343,066)
	(153,307)	278,034
	$ 1,531,009	$ 1,952,729

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

LEAF RAPIDS TOWN PROPERTIES LTD.

Statement of Operations and Deficit

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Rentals	$ 256,058	$ 275,148
Cost recoveries	585,901	561,208
	841,959	836,356
Expenses:		
Administration fees and expenses	60,373	43,574
Amortization	81,254	43,248
Bad debts	8,037	23,369
Insurance	39,389	25,909
Janitorial	58,973	72,821
Professional fees	-	14,260
Property taxes	91,356	102,980
Repairs and maintenance	86,592	116,181
Salaries and benefits	158,595	139,291
Snow removal	7,400	9,683
Sundry	2,460	2,794
Supplies and office	28,459	24,719
Telephone	10,632	6,381
Utilities	106,207	95,940
Vehicle and travel	26,492	10,676
	766,219	731,826
Income from operations	75,740	104,530
Other (expense) revenue:		
Corporation capital tax	(3,749)	(4,097)
Interest, net (note 7)	(10,233)	5,461
Management and consulting fees	(11,377)	(7,014)
Other	500	2,226
	(24,859)	(3,424)
Income before write down of assets	50,881	101,106
Write down of capital assets (note 9)	320,554	-
Write down of note receivable from Leaf Rapids Community Development Corporation (note 2)	49,687	-
Write down of other assets (note 9)	111,981	-
Net (loss) income	(431,341)	101,106
Deficit, beginning of year	(2,343,066)	(2,444,172)
Deficit, end of year	$ (2,774,407)	$ (2,343,066)

See accompanying notes to financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
Net (loss) income	$ (431,341)	$ 101,106
Items not involving cash:		
Amortization	81,254	43,248
Write down of capital assets to net realizable value (note 9)	320,554	-
Write down of note receivable from Leaf Rapids Community Development Corporation (note 2)	49,687	-
Write down of other assets (note 9)	111,981	-
	132,135	144,354
Net change in non-cash operating working capital:		
Accounts receivable	(56,898)	(24,252)
GST payable	5,837	(5,834)
Prepaid expenses	(22,425)	26,204
Accounts payable and accrued liabilities	21,012	(32,995)
Deferred revenue	(11,403)	544
	(63,877)	(36,333)
	68,258	108,021
Investing activities:		
Additions to capital assets	(63,735)	(85,036)
Note receivable from Leaf Rapids Community Development Corporation	12,649	(74,281)
	(51,086)	(159,317)
Financing activities:		
Obligations under capital lease	-	11,221
Payments on capital lease	(4,726)	(1,084)
	(4,726)	10,137
Increase (decrease) in cash and short-term deposits	12,446	(41,159)
Cash and short-term deposits, beginning of year	1,441,336	1,482,495
Cash and short-term deposits, end of year	$ 1,453,782	$ 1,441,336
Additional information:		
Interest paid	$ 69,416	$ 74,939

See accompanying notes to financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

Year ended March 31, 2002

Nature of operations:

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

1. Significant accounting policies:

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Management estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. Amortization was provided in 2002 based on amortizing the remaining net book value of the capital assets over two years, 2002 and 2003. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 9. Accordingly, there will be no amortization for 2003.

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2002

1. **Significant accounting policies (continued):**

   (c) Developed lots:

   Developed lots held for resale were writtten down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

   (d) Pension expense:

   The Corporation participates in a multi-employer pension plan. Pension expense is equal to the Corporation's annual funding of the pension plan. The annual funding is based on the Corporation matching the employees required contributions.

2. **Note receivable:**

   In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of repayment were renegotiated to those shown below. The note receivable was written down in 2002 by $49,687 to reflect the uncertainty regarding the ultimate collection of the note receivable due to the closure of the Ruttan Mine, as explained in note 9, and the effect that this closure may have on the population base of the town.

0.0% note receivable, at $995 per month, maturing May 2007	$	61,632
Less:		
Write down		49,687
Current portion of note receivable		11,944
	$	1

3. **Capital assets:**

	Cost	Accumulated Write Down	Accumulated Amortization	2002	2001
Commercial Properties:					
Land	$ 478,765	$ 478,764	$ -	$ 1	$ 142,107
Building	1,627,110	561,919	1,065,191	-	50,585
Equipment	14,246	4,110	10,136	-	6,165
Non-Commercial Properties:					
Land	414,692	414,692	-	-	-
Building	4,701,479	-	4,701,479	-	-
Other Property:					
Land	82,301	82,301	-	-	50,000
Building	857,752	321,652	536,100	-	-
Equipment	201,311	80,217	141,094	-	89,217
	$ 8,377,656	$ 1,923,655	$ 6,454,000	$ 1	$ 338,074

4. **Obligation under capital lease:**

The following is a schedule of minimum lease payments under the capital lease, expiring March 2003, together with the balance of the obligation under the capital lease:

2003	$ 5,818
Total minimum lease payments	5,818
Amount representing interest	407
Net minimum lease payments	5,411
Current portion of obligation under capital lease	5,411
	$ -

5. **Capital stock:**

	2002	2001
Authorized:		
40,000 common shares, not to exceed $40,000		
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000, with a redemption price of $100 per share		
Issued and fully paid:		
100 common shares	$ 100	$ 100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

6. **Long-term debt:**

Long-term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortizaton expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year end, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long-term debt, the amount of the required annual installment in excess of 10% of the outstanding long-term debt is applied against the outstanding long-term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long-term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long-term debt is not recorded and is non-cumulative. For the year ended March 31, 2002, the accrued interest expense amounted to $63,018. The difference between the interest expense of $63,018 and 10% of the long-term debt is $86,840.

7. Interest expense - net:

	2002	2001
Interest expense	$ (63,018)	$ (69,416)
Interest revenue	52,785	74,877
	$ (10,233)	$ 5,461

8. Related party transactions:

As stated in note 5, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long-term debt and related interest described in note 6 are payable to the Province of Manitoba. The interest income described in note 7 is earned on short-term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2002. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2002	2001
Short-term deposits	$ 1,376,998	$ 1,325,004
Accounts receivable	3,424	8,855
Accounts payable	85,590	95,948

9. **Write down of assets to net realizable value:**

The viability of the Corporation has depended on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Corporation determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that it would be shutting down the mine in May 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and / or the utilization of available housing in the Town. The ongoing viability of the Corporation will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment was written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect that this will have on the economy of Leaf Rapids, the following asset write downs, totalling $111,981, were made in 2002:

a) the allowance for doubtful accounts receivable was increased by $67,775 to reflect the uncertainty of the ultimate collection of the accounts receivable;

b) the carrying values of prepaid expenses and maintenance inventory were written down by $21,977 and $22,229 respectively to reflect the uncertainty regarding the future benefit of these assets.

10. Financial instruments:

a) Credit risk:

The Corporation is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Corporation, based upon factors surrounding the credit risk of specific customers, historical trends and other information.

b) Fair value:

Due to the short-term nature of all financial instruments, other than long-term debt, the carrying values as presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any difference would be accounted for in the period in which it becomes known. For long-term debt, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.